UNITED STATES DEPARTMENT OF AGRICULTURE
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AN APPRAISAL OF SERVICES PROVIDED BY COOPERATIVE MARKETING ASSOCIATIONS HANDLING FRESH FRUITS AND VEGETABLES IN THE NORTH ATLANTIC STATES

Preliminary Report

Part I - Number, Location, and General Character of Associations

By

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COOPERATIVE RESEARCH AND SERVICE DIVISION

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FARM CREDIT ADMINISTRATION

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CONTENTS

Why Study Was Made

Rapidly shifting supply and demand for agricultural products in recent years has been apparent to the general public. The passing out of a number of fruit and vegetable cooperative associations and the organization of several new ones have been observed by the Cooperative Research and Service Division of the Farm Credit Administration, which has the responsibility of fostering the cooperative movement. State and Federal agencies have worked closer with farmers in the marketing of their products through partly public, partly

NOTE: The author wishes to express appreciation to officials of the cooperative associations, to officers of municipal departments charged with the administration of city markets, to the many others who generously contributed information for the study, and to A. W. McKay and others of the Cooperative Research and Service Division staff who gave valuable advice while the study was in the formative stage.

private arrangements such as marketing agreements and control boards. The question of just how far farmers and farmer-controlled organizations should go into the field of marketing has become increasingly important both in respect to normal operations and to considerations arising out of the present national emergency.

To properly appraise the present and the potential place of cooperation in the distribution of farm products, this Division recognizes the need for current, complete, and systematic information as to the location, facilities, extent of services provided, and relative scope of operations of the cooperative marketing associations now active.1/ Such information is valuable as a basis for the formation of public policies in relation to cooperative associations, as a means of discovering ways in which the Cooperative Research and Service Division may be of significant help to the cooperative movement, and as a source of ideas drawn from the aggregate picture which individual associations may turn to their own account.

Scope of Present Report

The Fruit and Vegetable Section has just completed the field work on a survey of cooperative marketing associations handling fresh fruits and vegetables in the North Atlantic States for the crop year 1940-41. The area included covers all the New England States, and, in addition, New York, Pennsylvania, and New Jersey.2/ The present preliminary report provides, in advance of the release of later publications, an "air photo" view of the number, location, general nature, and importance of cooperative marketing associations handling fresh fruits and vegetables in this area. Later reports will go into such significant and qualitative details as the delegation of sales responsibility, the geographical distribution of sales, the types of buyers doing business with cooperative associations, and the financial structure of associations.

Number, Location, and Types of Associations

To avoid overlooking any association within the scope of the survey, names and addresses were assembled from the historical and statistical files of the Farm Credit Administration, by correspondence with county agricultural extension agents, by interview with State college workers in extension and marketing, from trade rating books, and from other sources. Exclusions and eliminations from this list during the course of the survey indicate in part the incompleteness of assembled information and in part the rapidity of change in the cooperative marketing picture. There were 160 likely appearing "leads" that, upon investigation in the field,

1/ The last previous thoroughgoing survey of cooperation in the United States applied to operations on the crop of 1936.

2/ Associations handling no fresh fruits and vegetables and associations doing a purchasing or supply business exclusively were not included in this survey.

failed to provide the basis for a questionnaire record. Ten of these were associations that had begun operations only within the last year and, therefore, were unable to report a full season's operations. Fifty-nine associations had gone out of business in recent years; the continued existence of some of these 59 had already been in question before the survey, but for lack of direct contacts it had not been possible to definitely determine their condition. An equal number of associations (59) which had been reported by one source or another to be getting into the field of marketing of fruits and vegetables were found to be doing only a strictly purchasing or farm supply business. Such associations, of course, were only a very small part of all the associations doing a supply business in this area. Nine of the "leads" proved to be associations doing educational work only, despite names that indicated the possibility of some marketing. Two associations were marketing farm products but not fruits and vegetables. Another two of the associations proved to be farm women's markets, which sell primarily the products of farm household activities, such as pies, dressed chickens, and the like; it was determined to exclude this type of association from the study. The remaining 19 leads proved to be of a suitable nature except for the fact that they were not cooperative associations.

On the basis of this survey, it appears that 98 cooperative associations took part in handling the 1940 crop of fruits and vegetables in the North Atlantic area. The distribution of these associations by States and by the general type of service rendered is shown in table 1. The associations were very unevenly distributed geographically, with 40 associations in New York State alone, and only 28 associations in all New England. Associations providing a marketing service in combination with a purchasing or supply department were the most numerous; those in which the marketing functions predominate were approximately four times as many as those in which the purchasing functions predominate. Next in number were auction associations, processing associations, and cooperative farmers' markets, in approximate numerical equality. The most noticeable distinction between States in type of service rendered appeared in the high proportion of auctions in New Jersey and of processing and canning associations in Maine.

Because of the semicooperative, semipublic nature of operations in many farmers' markets, it was thought advisable to seek similar information for all farmers' markets wherever found, regardless of whether or not they were cooperatives. Fifty-five records were obtained from noncooperative farmers' markets operated by private, municipal, or regional authorities. Five of these market concerns operated at more than one location in their respective cities, controlling a total of 13 market houses and open sales-parking areas. Because of the difficulty of locating all farmers' markets, particularly the smaller ones, it is not to be inferred that these 55 represent all city farmers' markets. It does undoubtedly include

Table 1. Number of cooperative associations marketing fruits and vegetables of the 1940 crop; North Atlantic States, 1/ by States and type of service

Type of service rendered	Number of organizations									
	N. Y.	Pa.	N. J.	Mass.	Maine	Conn.	N. H.	R. I.	Vt.	Total 9 States
Marketing only	6	-	1	1	-	-	-	-	-	8
Marketing mostly; also purchasing	8	9	5	3	3	-	2	-	1	31
Purchasing mostly; also marketing	5	1	-	1	-	-	1	-	-	8
Processing, canning, bottling	6	2	-	1	5	-	-	-	-	14
Auction	5	-	8	-	-	2	-	-	-	15
Storage and marketing	6	-	-	-	-	1	-	-	-	7
Farmers' market facilities 2/	4	3	1	4	-	1	1	1	-	15
All services	40	15	15	10	8	4	4	1	1	98

1/ All New England States, plus New York, New Jersey, and Pennsylvania.

2/ Noncooperative farmers' markets surveyed	20	3/20	5	6	1	3	-	-	-	55

3/ Includes 5 operating at 13 locations.

a very large proportion of them all since a determined effort was made to be all inclusive. It is noteworthy that Pennsylvania had as many noncooperative farmers' markets as New York State.

Number of Patrons and Volume of Business

More than 20,000 patrons were served by the 98 cooperative associations in the North Atlantic States. More than three-fourths of these patrons were members of the associations (table 2). As shown in figure 1, cooperative auctions provided marketing service for more patrons than did any other class of associations handling fruits and vegetables in this area. The associations varied widely in the number of patrons each had--from 6 to 2,300 (table 3). A processing association had the lowest extreme in number of patrons; a farmers' market, the extreme maximum. There were two auctions and two farmers' markets that had more than 1,000 patrons each. The average number of patrons for all the associations was 209. This figure is misleading, however, since less than half of the associations had more than 100 patrons each (table 3).

From the standpoint of dollar sales value of commodities handled, the associations present a somewhat different picture from that presented when the comparison is made on the basis of the number of patrons. For example, the cooperative farmers' markets were second in total number of patrons, but were first in total value of fruits and vegetables sold. Auctions, which were first in total number of patrons, were fifth in total value of commodities sold (table 4). The value of fruit and vegetable sales per association was highest for farmers' markets and for those associations that sold fruits and vegetables but had no purchasing or supply department, and was lowest for those associations in which the major emphasis was on purchasing or on storage.

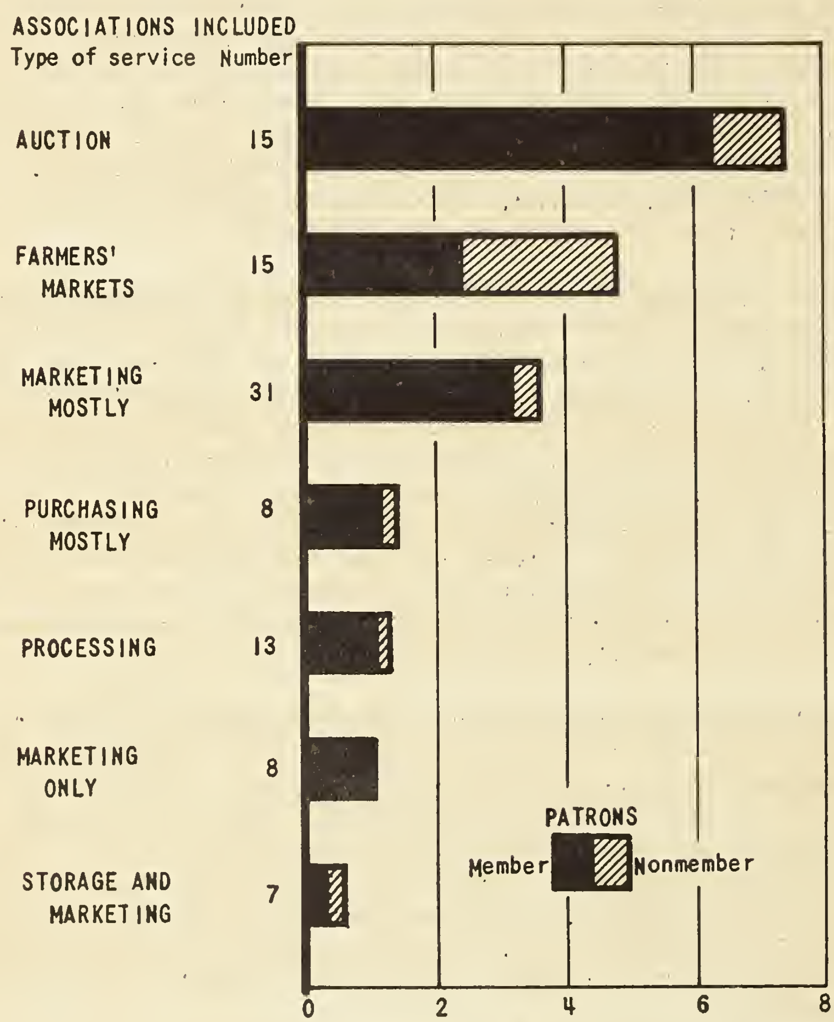
Consolidating the cooperative business reported, more than $25,000,000 worth of fruits and vegetables were handled by the 85 associations that reported sales in dollars. Each of the seven associations in the highest sales group sold at least $1,000,000 worth of fruits and vegetables during the 1940-41 season. The presence of these unusually large organizations greatly influences the average sales figures. Although average sales for the 85 reporting associations was $301,000, there were only 17 associations with sales in excess of that amount. Sales by 22 associations did not exceed $25,000.

Number of Commodities Handled

The specific kinds of fruits and vegetables handled by the cooperative associations in the North Atlantic area pretty well cover the entire assortment of kinds grown. At the same time, the number handled by any one association varied both with location and with type of service performed. Forty percent of all the associations in the entire area handled only one commodity (table 5).

Figure I

TOTAL NUMBER OF MEMBER AND NONMEMBER PATRONS SERVED BY COOPERATIVE FRUIT AND VEGETABLE MARKETING ASSOCIATIONS, NORTH ATLANTIC STATES, CROP YEAR 1940-41



Auctions served more patrons than any other class of cooperative fruit and vegetable marketing associations.

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Table 2. Number of patrons served by cooperative fruit and vegetable marketing associations, North Atlantic States, 1/ crop year 1940-41

Type of service rendered	Number of patrons		
	Members	Nonmembers	Total
Auction	6,288	1,162	7,450
Farmers' market facilities 2/	2,367	2,470	4,837
Marketing mostly; also purchasing	3,220	341	3,561
Purchasing mostly; also marketing	1,257	176	1,433
Processing, canning, bottling 3/	1,179	165	1,344
Marketing only	1,095	0	1,095
Storage and marketing	377	185	562
Total	15,783	4,499	20,282

1/ All New England States, plus New York, New Jersey, and Pennsylvania.
2/ Comparable figures for 53 noncooperative farmers' markets ... 0 7,960 7,960
3/ Excluding 1 processing association for which number of patrons was not reported.

Table 3. Number of patrons served per association by cooperative fruit and vegetable marketing associations, North Atlantic States, 1/ crop year 1940-41

Type of service rendered	Number of associations reporting	Number of associations with following number of patrons				Number of patrons per association	
		1-100	101-200	201-300	More than 300	Range	Average
Auction	15	1	3	3	8	88 - 1,400	497
Farmers' market 2/	15	8	3	2	2	8 - 2,300	322
Purchasing mostly	8	4	1	2	1	55 - 500	179
Marketing only	8	5	1	1	1	30 - 431	137
Marketing mostly	31	22	6	2	1	12 - 957	115
Processing	13	9	3	0	1	6 - 545	103
Storage	7	6	1	0	0	47 - 153	80
Total	97	55	18	10	14	6 - 2,300	209

1/ All New England States, plus New York, New Jersey, and Pennsylvania.
2/ Figures for noncooperative farmers' markets ... 53 31 14 5 3 2 - 1,000 150

Table 4. Dollar sales of fruits and vegetables, including canned and bottled items, by 85 cooperative marketing associations reporting sales, North Atlantic States, 1/ crop year 1940-41

Type of service rendered	Amount sold per association			Number of associations that sold amounts indicated in thousands of dollars 2/					
	Total	Average	Range	1-50	51-100	101-200	201-400	400-800	More than 800
	Thousand Dollars	Thousand Dollars	Thousand Dollars						
Farmers' markets 3/	5,648	807	7 - 3,000	3	0	0	2	0	2
Marketing only	5,489	686	3 - 3,357	3	1	2	0	0	2
Processing, etc.	5,310	379	10 - 3,722	5	4	2	1	1	1
Marketing mostly	4,644	160	6 - 1,000	11	8	5	1	3	1
Auction	3,934	262	22 - 1,082	1	4	4	3	2	1
Storage, etc.	304	76	11 - 165	2	0	2	0	0	0
Purchasing mostly	254	32	2 - 90	6	2	0	0	0	0
Total	25,583	301	2 - 3,722	31	19	15	7	6	7

1/ All New England States, plus New York, New Jersey, and Pennsylvania.
2/ Note that the several groups are of unequal range in sales.
3/ Comparable figures for noncooperative farmers' markets ..... 3,372 422 25 - 2,000 2 0 1 4 0 1
Since only 8 of the 55 noncooperative markets are included, the figures shown for such markets are not claimed to be representative.

Table 5. Percentage of all fruit and vegetable cooperative marketing associations handling only one commodity, by type of service performed and by States, North Atlantic States, 1940-41

Type of service performed	Percentage of all fruit and vegetable marketing associations of the type and in the State indicated									
	N. Y.	Pa.	N. J.	Mass.	Maine	Conn.	N. H.	R. I.	Vt.	All 9 States
Marketing only	100	1/	100	100	-	-	-	-	-	100
Marketing mostly	38	56	60	100	100	-	50	-	0	58
Purchasing mostly	60	100	-	0	-	-	0	-	-	50
Processing	17	50	-	100	80	-	-	-	-	50
Auction	0	-	0	-	-	50	-	-	-	2/ 7
Storage	17	-	-	-	-	0	-	-	-	14
Farmers' market 3/	0	0	0	0	-	0	0	0	-	0
All types	35	47	26	50	88	25	25	0	0	40

1/ A dash designates a State in which there are no associations of the kind indicated.
2/ This understates the practical situation, since some associations specialize in one item almost to the exclusion of all else; for example, the cauliflower auction at Margaretville, N. Y., handles a few other items but only in very minor quantities.
3/ Noncooperative farmers' markets ..... 0 0 0 0 0 0 - - - 0

All the associations that limited their functions to the marketing service handled only one commodity each. In contrast, none of the farmers' markets limited their commodities to one item. Half of the processing associations and about half of the associations that combined purchasing and marketing handled only one commodity per association. While only 7 percent of the cooperative auctions handled only one commodity, there were many auctions that tended to specialize or to run very heavily to some one commodity.

Some Features Commonly Considered Characteristic of Cooperatives

Central packing. One of the well-recognized objectives of cooperation is standardization of the quality of the products sold. One method of achieving uniformity in grade is to pack at a central point under the direct supervision of the association. It is relevant, therefore, to see to what extent centralized packing was practiced. Relatively little central packing was done by the cooperative associations in the North Atlantic States (table 6). Twenty-five of the associations, including all the processing and canning cooperatives, put all of at least one commodity they handled through the packing or processing line of the association. An additional 16 associations carried on central packing for part of one or more of the commodities they handled. The remaining 57 cooperative associations handling fruits and vegetables did no central grading and packing.

Pooling. The experience of the organizations included in the survey indicates that pooling of returns is not necessarily a characteristic feature of cooperative associations. Only about one-third of these associations pooled returns in one way or another (table 7). In the case of the processing and canning associations, the equivalent of pooling was usually achieved at the time of delivery through payment to the growers of a flat and uniform price for all the commodity delivered that fell within a particular variety and grade. For the associations in which direct purchase by the association from the grower upon delivery was not practiced, pooling of returns was most in evidence in the general marketing associations and entirely absent in the auctions, the storages, and the cooperative farmers' markets. It goes almost without saying that pooling was not practiced in any of the 55 noncooperative farmers' markets studied. The data in table 7 indicate that cooperative associations in the North Atlantic area have found ways to serve their members without pooling returns.

Corporate structure. Many persons erroneously believe that a true cooperative association must, of necessity, be a nonstock organization. It is true that the member of a nonstock organization usually is not concerned about the amount of return he is going to get on the generally small sum of money he has invested in the organization, and his capital investment in the organization is most likely to be the same as the contribution of each and every

Table 6. Extent of central packing done by cooperative fruit and vegetable marketing associations, North Atlantic States 1/ crop year 1940-41

Type of service performed	Number of associations by extent of central packing			All associations
	None	Partial 2/	Complete 2/	
Marketing only	4	1	3	8
Marketing mostly; also purchasing	19	5	7	31
Purchasing mostly; also marketing	7	0	1	8
Processing, canning, bottling	0	0	14	14
Auction	10	5	0	15
Storage and marketing	2	5	0	7
Farmers' market facilities 3/	15	0	0	15
Total	57	16	25	98

1/ All New England States, plus New York, New Jersey, and Pennsylvania.
2/ With respect to at least 1 but not necessarily for all the commodities handled by the association involved.
3/ None of the 55 noncooperative farmers' market organizations included in the study provided any central packing services.

Table 7. Number of fruit and vegetable cooperative marketing associations making returns on a pool basis in 1941, North Atlantic States, 1/ by type of service performed

Type of service performed	Number of associations		
	Pooling	Not pooling	Total
Marketing only	6	2	8
Marketing mostly; also purchasing	13	18	31
Purchasing mostly; also marketing	2	6	8
Processing, canning, bottling	12	2	14
Auction	0	15	15
Storage and marketing	0	7	7
Farmers' market facilities	0	15	15
All types	33	65	98

1/ All the New England States; also New York, Pennsylvania, and New Jersey.

other member of that same organization. However, the capital stock form of incorporation has been found to be the most practical set-up for many true cooperative associations that needed a considerable backlog of grower investment. Forty-three of the 98 associations were organized on a stock basis (table 8). Capital stock organization evidently was most useful to associations requiring a heavy fixed investment, as indicated by the high proportion of associations of this type among the processing and the storage cooperatives. Seven cooperative organizations of farmers that were engaged in functions requiring practically no physical facilities were not even incorporated. The great majority of noncooperative farmers' markets, operated by private interests or by municipal or regional authorities, were unincorporated (footnote 2, table 8).

Continuous Growth of New Associations

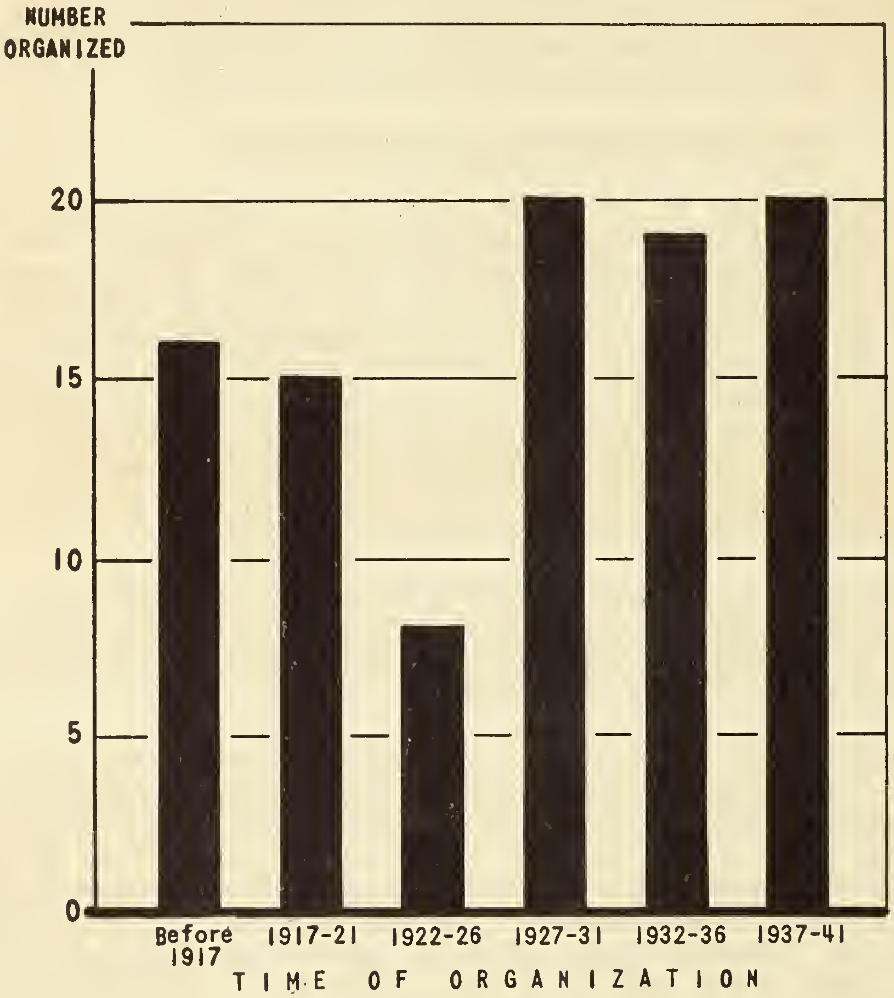
Conclusive proof of the fluid character of farmers' cooperative fruit and vegetable marketing ventures is given in table 9. More than 20 percent of the associations within the scope of this survey were organized within the last 5 years. In each of the two preceding 5-year periods the percentage of new organizations was about the same as in the last period. Only 16 of the associations were organized before the first World War. The low point in rate of appearance of new organizations occurred during the 5-year period 1922-26 (fig. 2). In addition to the associations numbered in table 9, there were 10 that organized and began operations in 1941 too late to have completed a full season's operation before the close of the survey.

On the other hand, noncooperative farmers' markets present a different picture for the reason that many of them are but relics of methods of marketing which have persisted despite the development of the towns in which they are located.

Notwithstanding the fact that so many new associations have been formed, the total number of cooperatives in the fruit and vegetable marketing field in the North Atlantic States is substantially the same now as it was at the time of the cooperative survey based on the 1936 crop year. This rather heavy mortality of cooperatives, together with the active growth of new associations, indicates the presence of an extensive trial and error process in which farmers constantly seek better ways of working together. It behooves us to try to discover the characteristic features of organization and operation that have been responsible for the success of those associations that have survived until today. It is such significant details that later reports on this survey of the cooperative marketing associations handling fresh fruits and vegetables will attempt to point out.

Figure 2

NUMBER OF NEW COOPERATIVE FRUIT AND VEGETABLE MARKETING ASSOCIATIONS ORGANIZED IN THE NORTH ATLANTIC STATES BY 5-YEAR PERIODS, 1917-41



The low point in rate of new organization since World War I came in the 1922-1926 period. The last period does not include 10 associations organized in 1941, which had not completed one season's operations at the time of the survey.

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Table 8. Legal structure of cooperative fruit and vegetable marketing associations, North Atlantic States, 1/ crop year 1940-41

Type of service rendered	Number of associations			
	Incorporated		Unincorporated	Total
	Capital stock	Non-stock		
Marketing only	2	5	1	8
Marketing mostly; also purchasing	9	20	2	31
Purchasing mostly; also marketing	5	3	0	8
Processing, canning, bottling	13	1	0	14
Auction	1	14	0	15
Storage and marketing	6	1	0	7
Farmers' market facilities 2/	7	4	4	15
Total	43	48	7	98

1/ All New England States plus New York, New Jersey, and Pennsylvania.
2/ Comparable figures for non-cooperative farmers' markets are: 7 2 46 55

Table 9. Year in which cooperative fruit and vegetable marketing associations existing in 1941 were first organized, North Atlantic States 1/

Type of service performed	Total number of organi-zations	Number first organized in years shown						
		Year un-known	Before 1917	1917-1921	1922-1926	1927-1931	1932-1936	1937-1941 2/
Marketing only	8	0	2	0	0	1	1	4
Marketing mostly; also purchasing	31	0	7	6	5	3	7	3
Purchasing mostly; also marketing	8	0	2	2	0	4	0	0
Processing, canning, bottling	14	0	2	2	1	3	1	5
Auction	15	0	2	1	0	5	4	3
Storage and marketing	7	0	1	3	1	1	0	1
Farmers' market facilities 3/	15	0	0	1	1	3	6	4
Total, all cooperatives	98	0	16	15	8	20	19	20

1/ All New England States, and New York, Pennsylvania, and New Jersey.
2/ Does not include 10 associations organized too late in 1941 to have completed 1 season's operations before the close of the survey in October.
3/ Noncooperative farmers' markets surveyed 55 1 30 5 5 2 8 4